

# EDUCATIONAL SERIES

## Free Raw Material

Speech of Hon. Thetus W. Sims in the house of representatives, July 9, 1909, on the rule to send the tariff to conference. Mr. Sims said:

Mr. Speaker: I have so far refrained from making any extended remarks on the pending tariff bill. In this house we were not permitted to consider the bill in the usual and proper manner in committee of the whole, where amendments could be offered by any member of the house, discussed, and voted on, and in that way the exact position of each member of both parties ascertained as to all schedules of the bill and as to all questions arising thereon.

For such a discussion the country has had to depend upon the consideration of the bill in the senate, and I regret to have to admit that, in what seems to me to be fundamental doctrines of the democratic party, two-thirds of the democratic members of the house have voted one way, while nearly two-thirds of the democratic membership of the senate have voted emphatically in opposition.

The question arises, do the majority of the democrats of the house by their votes truly and correctly represent the actual democratic position on these questions, or do the majority of the democratic senators by their votes truly and correctly reflect the democratic position? If the majority of the democrats in this house are right, then a majority of the democratic senators must be wrong. And the converse of this proposition must be equally true.

I refer to the votes on the questions of free lumber, free coal, free hides, and free iron ore, or, in other words, as to the democratic position regarding crude raw materials—whether they shall be admitted free of duty or placed on the dutiable list. I shall consider these propositions, or, rather, the votes on same, somewhat in the order they were had in the senate, beginning with iron ore.

I beg to say that the vote of the eighteen democratic senators for a duty on iron ore in support of an amendment not offered by an individual senator, but as a committee amendment, taking iron ore from the free list, where it had been placed by the Payne bill, and placing it on the dutiable list, is regarded by both republicans and democrats as giving aid and comfort to the enemy, and in its logical effect an approval of the doctrine of protection.

The American Economist, the official organ of the high protectionists of the United States, in its issue of June 4 says:

### DEMOCRATS ABANDON THE PLATFORM

It is well, also, to keep before the people of the country the facts that, while this small coterie of western republicans are making a stand for the democratic policy of "reductions in duties," a majority of the democratic senators have abandoned not only the cardinal principle of democratic faith, namely, "free raw materials," but they have voted repeatedly in favor of retaining the Dingley law rates of duty on many articles, notwithstanding the declared policy of the democratic party in favor of reductions in duties throughout.

In other words, while there is a slight defection from the essential principles of the republican platform among western senators, there is a complete abandonment by a majority of the democratic senators of the two most vital features of the democratic platform upon the tariff, namely, reductions in duties below the Dingley-law standard and the placing of raw materials upon the free list.

I do not regard placing a duty on so-called "raw material" as per se and necessarily protection and as a violation of democratic doctrine. The words "raw materials" are too indefinite to be regarded as absolutely binding as a declaration of party doctrine.

Green coffee is the "raw material" of the coffee roaster. No one would regard a duty on green coffee as protective. Such a duty would be a revenue duty, whatever the rate. Any raw material which does not have to be materially advanced in value by processes of manufacture to prepare it for consumption may be classed among dutiable commodities for revenue purposes without affording more than incidental protection.

While this is true, all raw materials which are properly classed as "crude raw materials," which require expensive processes of manufacture in order to prepare them for consumption, should be absolutely on the free list. No amount of revenue that can be collected by a tax on such "crude raw materials" can possibly compensate for the advance in price on the manufactured article by way of a compensatory duty

made necessary by the tax on the crude raw material.

Take the case of iron ore as an illustration. The year 1907 was a normal year, and, speaking in round numbers for that year, the production of iron ore in the United States was 52,000,000 tons and total importations about 1,000,000 tons, more than 50 per cent of the importations coming from Cuba at a duty of 32 cents a ton, while 40 cents a ton was collected on the importations from all other countries. The revenue received by the government from duties on iron ore for that year was less than \$400,000.

If the duty on iron ore only had been added to the manufactured products made from the iron ore mined in the United States for the year 1907 it would amount, at 40 cents a ton, to \$20,800,000. It must be remembered that the manufacturer does not simply add the duty to the price when he manufactures from imported material, but he adds the same to the price of all articles manufactured from domestic materials on which he has paid no tariff tax.

To go further with this matter of iron ore, can any democrat justify a vote to give the manufacturers of iron and steel in the United States or the mine owners a statutory profit of \$21,000,000, speaking in round numbers, on the amount of iron ore mined in the United States for one year in order to get \$400,000 or less by way of revenue? Can any man justly claim that added profits to the American manufacturer of \$21,000,000 on iron ore for one year, while getting, by way of revenue to the government only \$400,000, is merely incidental protection growing out of a purely revenue duty?

But the protection in its effects does not stop with simply adding this 40 cents per ton to the price of the manufactured article. This duty is doubled, trebled, and quadrupled by way of compensatory duties on manufactured articles of iron and steel as the processes of manufacture are advanced. As it takes two tons and more of iron ore to make one ton of pig iron, a compensatory duty of 80 cents a ton must be added to the direct duty on pig iron in order to compensate the manufacturer of pig iron for the added price to the ore by reason of the duty on the crudest of all raw materials, iron ore. When the ore is converted into pig, the pig is a raw material only one step removed from the crude, so the manufacturer of pig iron says:

I must have a duty equal to the difference of cost at home and abroad, with reasonable profits, to which must be added the duty on the ore of 80 cents per ton, with a manufacturer's profit on the same, being the tariff tax on the ore.

So, at each additional stage of process of manufacture these duties are doubled up and added, until the 40 cents a ton on iron ore, when it finally reaches the consumer in the highly manufactured condition necessary to consumption, the added cost to the American consumer mounts up, perhaps, to more than \$100,000,000 by reason of this miscalled "revenue duty" on iron ore, that brought to the government less than one-half of \$1,000,000. Are such results to be atoned for under the thin disguise of a claim of voting for a revenue duty on raw materials? It is exceedingly doubtful if reducing the duty from 40 to 25 cents a ton will bring one single dollar more to the treasury than the 40 cents does now. The importations will have to be materially increased at 25 cents per ton to make up for the loss of 15 cents a ton in the rate, but the 25 cents per ton will serve as an excuse for the addition of compensatory and cumulative duties on all articles of domestic manufacture, amounting, perhaps, to hundreds of millions of dollars.

All the reasons that can be given for placing lumber on the free list apply with much greater force to iron ore. It is impossible for the compensatory and cumulative duties on lumber to ever burden the consumer like those on iron ore. Much rough lumber can be used without further process of manufacture, and none of it has to go through as great a number of processes of manufacture as do the greatest number of articles of iron and steel before reaching the consumer.

Besides, under existing conditions placing a duty on iron ore was in plain violation of the Denver platform, which says:

Articles entering into competition with trust-controlled products should be placed on the free list.

Of the 52,000,000 tons of iron ore produced in the United States in 1907, 42,000,000 tons came from the Lake Superior district. Senator Smith, of Michigan, on the floor of the senate, in debate on this same Aldrich amendment, stated that the United States Steel corporation owned in fee and controlled by way of leases at least 85 per cent of all the iron ore deposits west of the Allegheny mountains. The trust also owns a large per cent of all iron deposits east of the Alleghenies. Then, I ask, why does not imported iron ore enter into competition with trust-controlled products? The trust does in fact own so nearly all the best and cheapest mined deposits of iron ore as to make it the all-powerful and dominating factor in fixing the price of domestic ores. The hearings before the ways and means committee shows that iron ore in the great Mesaba ranges is mined at a less cost than anywhere in the world, except a small part of Sweden, from which no ore is ever shipped to the United States.

If the drawback provisions of the house bill are continued, the steel trust can practically use all the imported ores it is likely ever to need duty free, because under the above bill, if any American manufacturer ships and sells abroad any articles of American manufacture within three years from the time he paid the import duties, whether made from the imported materials or not, to the amount of the duties paid, he can draw back 99 per cent of import duties paid on the materials. As the trust does now and always will export and sell abroad, in value, many times more in value of its articles of manufacture than it will ever import of iron ore, it has under the senate bill, as amended by the help of democratic votes, practically free iron ore for its own use, while being enabled to add the tariff tax to all sales of its goods to American consumers, while the small manufacturer who has no foreign trade will have to pay duty on imported ores, if he imports any, or pay enhanced prices for ores at home, fixed by his all-powerful competitor, the steel trust, including the duty provided by the Aldrich amendment.

I am therefore unalterably opposed to a duty for any purpose on "crude raw materials," for the reason that it enables the American manufacturer to impose an additional burden by way of compensatory and cumulating duties on the American consumer out of all proportion to the amount of revenue benefits.

If democrats were making the whole bill and could put a small revenue duty on raw materials, following it up with a like duty on the manufactured products, adding nothing in the nature of compensatory duties, such a bill might not be oppressive to the consumer. But democrats are not making the bill, while many of them, by their votes, are furnishing very acceptable reasons to the republicans for failing to reduce high protective duties on the necessities of life.

Senator Aldrich, in his great speech on June 7, said:

Take the metal schedule, take the silk schedule, take every schedule in this bill. The intention is to have the rates progressive from the crude products, the raw materials to the finished product; progressive as to the amount of difference between the cost of production here and in competing countries, which means if you put one duty on iron ore, you must put a higher duty on pig iron, a higher duty still on steel rails, a higher duty still on watch springs, progressive all through the scale.

This was a fair and candid statement by the senator, and every democrat who voted for a duty on iron ore knew just what effect it would have in making up the metal schedule of the bill. It was the first item in that schedule and became the very foundation upon which the whole superstructure of the metal schedule was to be erected. The tariff bill came from the house with iron ore on the free list and the whole schedule on metals and manufactures thereof greatly reduced. The first thing that eighteen democratic senators did was to take iron ore from the free list, knowing full well that it would be the grounds for an increase over the house bill on the whole metal schedule. But not satisfied with this indefensible action, some of them voted to raise the duty on scrap and waste iron from the house rate of 50 cents a ton to \$2.50 a ton. Scrap iron, wrought and cast, is mere waste material, consisting of broken pieces of old pots, skillets, plows, horseshoes, wagon tires, and all other kinds of waste iron and castings, that require no investment of capital—no expenditure of labor, no element of cost of production of any kind. Not satisfied with this, after knowing by their votes they had made it impossible to take the protective tariff off any article of metal manufacture, one of them offered an amendment to put sewing machines, typewriters, and printing presses on the free list, and all, or nearly all, of those who voted to